The FUTURE *of* CAPITALISM *and* SOCIALISM IN AMERICA

A Symposium by

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OBJECT:

"EDUCATION FOR A NEW SOCIAL ORDER BASED ON PRODUCTION FOR USE AND NOT FOR PROFIT."

"The League invites those in sympathy with its object to join its ranks. It has chapters in colleges and in cities. Write for information to the directors.

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INTRODUCTION

AT least three attitudes toward the future of capitalism and socialism in America are gradually emerging in this country.

The first is that the newer capitalism is cleaning its own house, is solving its most pressing problems and is developing a stability of structure, under a wiser leadership in industry, such as could scarcely have been anticipated in the days before the war.

The second attitude toward capitalism in this country is that of the communists who see America's growing economic imperialism leading to more and increasingly disastrous wars, and who maintain that, despite the new leadership in industry, the war of the classes in America—with the increasing concentration of industrial control—is becoming ever more clear-cut, and that the final demand of the workers for the socialization of industry will be inevitably opposed by the armed forces of the capitalist class, resulting in a devastating civil war.

A third attitude is that, while capitalism may be improving in a number of particulars, its improvement is, in considerable measure, brought about as a result of developments of a socialistic nature; that the increasing welfare of the masses is by no means commensurate with the increasing productivity of modern industry, and that industrial waste cannot be eliminated, equality of opportunity obtained, and war and the threat of war avoided until capitalism swings completely into a socialized society.

In an attempt to have these varying points of view presented on the same platform, the League for Industrial Democracy selected for the subject of its Twenty-first Annual Dinner, held at the Fifth Avenue Restaurant, New York, on December 29, 1926, the subject, "The Future of Capitalism and Socialism in America," and was fortunate in securing for its speakers some of the foremost advocates of the positions described above. The speakers were Sam A. Lewisohn, New York banker, vice-president of the Miami Copper Company, author of *"The New Leadership in Industry"*, and one of the newer group of indus-

trial managers; Colonel M. C. Rorty, engineer and statistician, Vice-president of the International Telephone and Telegraph Corporation, and formerly President of the National Bureau of Economic Research; Dr. Scott Nearing, economist and well known communist, author of *"Dollar Diplomacy"* and numerous books on economic problems, and Morris Hillquit, author, attorney, and International Secretary of the Socialist Party of America. Robert Morss Lovett, President of the L. I. D., an editor of the *New Republic* and Professor of English Literature of the University of Chicago, acted as "impartial" chairman.

In contrasting the words "capitalism" and "socialism", the League is not unmindful of the fact that there cannot be a hundred per cent line of demarcation between any two industrial orders; that one order merges into another and that it is impossible to say on any one day where the old order ends and the new order begins.

Nevertheless there are certain differences between the social order known as "capitalism" and that known as "socialism". Capitalism is an industrial order under which the principal industries of the country are privately owned and administered with the primary aim of private profit. On the other hand, socialism aims at a social order under which the principal industries are owned socially—by the community and by voluntary cooperative group of producers and consumers—and operated democratically, with workers, consumers and technicians adequately represented in industrial control.

In his address, Mr. Lewisohn, the first speaker, agreed in brief with the socialists that industry was in a constant state of flux, but maintained that the growth of an enlightened leadership was more important from the standpoint of social welfare than a change in social structure. He believed that more socially visioned leadership was in the making. Dr. Nearing considered leadership of secondary importance—the problem of leadership he regarded as a "constant" under various systems—and drew a dark picture of the future of capitalism in this country, particularly pointing out the dangers of our investment policy abroad. Colonel Rorty emphasized the new and stabilizing tendencies in capitalism, and, through the Socratic method, endeavored to demonstrate the extent to which socialists and upholders of capitalism might be included in a new school of "pragmatic socialism", while Mr. Hillquit, summing up in an eloquent address, pointed to the need, from the standpoint of

democracy and of social justice, for a continued advance toward the socialist goal.

On account of the brief space of time at the disposal of the speakers,—particularly of the last speakers—, the following symposium can be regarded merely as suggestive, not as a final statement of any one point of view. Nevertheless the Committee is of the opinion that these after-dinner addresses are a genuine contribution to social discussion and that they deserve an even wider hearing than they obtained before the 400 representative men and women who assembled in late December, 1926, at the Annual Dinner of the League.

HARRY W. LAIDLER.

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The Future Of Capitalism and Socialism in America

Professor Lovett Introduces

TOASTMASTER ROBERT MORSS LOVETT: Ladies and gentlemen: The Committee has chosen a most important subject for discussion this evening, "The Future of Capitalism and Socialism in America". I presume that they would have met our own feeling for emphasis if they had phrased it, "The Future of America between Capitalism and Socialism".

You know the old moralities used to have by way of frontispiece a good young man, *obviously* a good young man, with his good angel on one side of him and his evil angel on the other, and a toss up as to which would get him. Now, that, I think, is the way in which some of us think of democratic America, as the good young man between capitalism and socialism, and in my capacity of arbitrary and impartial chairman, I am not going to say which is the good angel or which is the evil angel. I am not going to discuss the disillusionments that we have experienced with democracy. I merely want to point out that however much or little we may have of real democracy, that form of organization is now challenged, is now in competition with two much tighter, closer, more highly organized forms of dictatorship of capital and dictatorship of the proletariat. And any form of dictatorship has this advantage over democracy, that it can summon unlimited resources in the way of expert guidance and compel obedience, and can conscript the workers in the obedience to expert guidance.

What democratic organization will do in the face of this competition is a question which gives special significance to the discussion this evening.

The first speaker is one of the ablest strategists of capitalism, the author of the *"New Leadership in Industry"*, and Vice-president of the Miami Copper Company. However eloquent his plea may be, I am sure that it will not carry more conviction than his own personality, and the position of his family in support of capitalism, the right direction of capitalism in society. And I warn you that you are very liable to fall for the first speaker as the angel of light of capitalism—Mr. Sam A. Lewisohn.

Mr. Lewisohn on "The New Leadership in Industry"

Mr. Lewisohn began by relating a conversation with Chairman Lovett. To a question by Mr. Lewisohn as to why Mr. Lovett seemed so nervous about concluding the eating and beginning the addresses, the latter replied, "The sooner we eat, the sooner we sleep." That, Mr. Lewisohn said, unquestionably is subject to a number of interpretations.

Unable to Prophesy

Turning to his address, Mr. Lewisohn declared:

There is something about the topic of the evening, "The Future of Capitalism and Socialism in America," which suggests that I may be expected to participate in a sort of crystal gazer's experience meeting. In that event, I am afraid I shall have to disappoint—I have left my gazing crystal at home.

I am not a prophet. I do not happen to be the seventh son of a seventh son, so I do not even know whether the economic society of the future will be capitalistic or socialistic.

According to the topic of the evening, both socialism and capitalism will have a future in this country. I am inclined to agree. I think they may have their futures simultaneously. And, if we are discussing economic systems, whether existing or proposed, we should not limit ourselves to two.

Society Dynamic, Not Static

The difficulty is that, when we discuss capitalism and socialism, we are apt to find ourselves discussing definitions instead of realities. Somehow it has become fixed in our minds that even if we can't define them, capitalism is a definite thing and socialism is a definite thing—and never the twain shall meet. The mere word "system" with which we label forms of society has the connotation of definiteness—of a blueprint.

Of course, what we call capitalism and socialism are not definite systems and they are meeting all the time. Economic society is not static—it is dynamic. Even in any one country it is never one thing at a given time and something else at another time, with a clear sharp break between them. Economic society never *is* anything—it is always in a process of becoming something else. Capitalism is becoming in some respects socialism under our very eyes—and in Russia socialism is becoming capitalism.

Whatever system we may theoretically have, it is always adapting itself to economic and human necessities, to changing pressures. Even if economic societies could be developed according to blueprints, they would always be changing to something else. Society is not a machine but a living organism made up of living beings.

I shall therefore not attempt to prophecy what is going to happen, but rather *how* it is going to happen or rather *how* it *may* happen.

It seems to me that perhaps the more useful thing to do is to try to recognize certain tendencies and forces that give promise of making our economic life more socially acceptable and to suggest how they can be developed in the right direction.

Leadership the Essential Factor

In all this welter of apparently uncoordinated movement, what determines whither we shall go? To use a term from engineering, progress is the resultant of two forces acting on society at the same time. The two forces are constantly changing in magnitude and direction. Sometimes one is more effective than the other. Sometimes they act in opposite directions, sometimes together. These two forces are the leadership of the few and the inertia of the many.

One essential under any economic system,—capitalism, state socialism, guild socialism, syndicalism, fascism, communism,—is *leadership*. Not only leadership but economic administrative leadership. Not only political evangelism but wise and effective executive direction.

Leadership, as I see it, has a dual nature.

At any given moment, in any society, some sort of leadership of routine affairs is essential in order to make it function with any effectiveness at all.

But there is another side to leadership, the directive as well as the administrative. The right leadership carries society forward to better forms of organization.

Aside from those opportunists moved by purely selfish considerations, the difference between those who favor the development of capitalism and others who favor more radical changes is essentially a difference of method.

Some stress mass movement and artificial changes in structure—some stress leadership.

No doubt some here this evening believe that, in order to change society for the better, we must change the system en-

tirely from one definite system to another definite system—and, preferably, as quickly as possible.

Others of us feel that, though changes in structure and a new balance of forces may be useful, they are rather superficial as compared with such things as education and leadership.

We feel that, *if the make up of the leadership is improved, society will change itself for the better without any sudden, clearly defined change in system.*

Shall A Change of System Come First?

The basis of our life and progress is energy founded on egotism.

Nature has endowed us with egotism, which is not in the nature of "original sin". It is not of itself wicked. It depends on whether it is used in its raw state or adapted to social purposes.

There are those who feel that a change can be made in the way that human energy is used by a radical change in institutions.

They feel that somehow such a change will transform the egotism into altruism.

They suggest that new blueprints to provide new incentives and create checks and balances will put in positions of leadership those who will be interested in the good of all, that the new structure will provide the type of incentives that will make for a healthier social life that will eliminate from society, for good and all, those who have narrow and selfish purposes.

Even though they recognize the problem as a behavior problem, they feel that, by changing the balance of forces, a different behavior will automatically take place.

Let me illustrate my point for a moment in terms of the experiments in behavior psychology.

You remember in Dr. Watson's experiments how the mice were made to pass through various mazes and go through various motions in order to get a piece of cheese.

The maze might be compared with what we call an economic system and motions with economic and social behavior, while the cheese is the incentive. By changing the maze and forcing the mice to train themselves to get to the cheese or starve, the mice were taught new methods of behavior.

It seems to me that those who believe that we must change our economic system believe that these methods can be applied to economic and industrial life. They believe that you can take

our individualistic and egotistic reflexes and condition them socialistically. They believe that if the incentive to work and to live is set in a different place, the entire behavior of men, like mice, can be changed.

Now there is some doubt, to put it mildly, whether this sort of method can be used successfully as a wholesale means of educating and changing society.

As a matter of fact, something like these behavioristic experiments have been tried out in varying degrees in some places. In some countries we have extreme communism—in some countries 100 per cent unionism. But the economic results have not been entirely acceptable. Have they?

That is one of the reasons why some of us feel that in any attempt to improve our social economic life, emphasis can well be placed in other directions than upon structure.

Develop Leadership First

We recognize that the structure in which the individual plays his part will necessarily affect his behavior, but we feel that the training the individual human beings that make up economic society receives is even more important.

This is particularly true of the training of the energetic individual who often becomes the future leader. Attention can well be focused there. If his training is changed, he will be more apt gradually to make modification in structure which will create a healthier social environment.

Transform Egotistic Energy into Socialized Force

The problem is to make sure that proper training is given to those energetic ones who are likely to become the more influential forces in the economic and social structure, *so that their potential crude selfish energy will be transformed into energy for broader social purposes.*

If we could make sure that each year every energetic member of society could be trained to have a broader social outlook than the energetic ones that preceded him—and remember they would not be necessarily his parents (for in this country influence is not necessarily hereditary); if such a broader outlook could be implanted, we could be confident that the present economic blueprint could be utilized for broader social purposes and then would gradually be altered in accordance with such purposes.

We would thus have the changes in structure come about organically rather than artificially.

I don't want what I am saying to suggest a sentimental gesture. I don't want to suggest that altruism is suddenly to become the motivating force of our business life,—that our "go-getters" are suddenly to become economic saints.

But as a background of what I have to say, I do want to suggest that the basis of our active human life is the energy of egotism and that this can be socialized into a force for a better society.

Pressure of Groups Necessary

It is true we cannot rely entirely upon training to make our energetic ones (intent upon their own purposes or upon results) voluntarily pay attention to the welfare of subordinates or those co-operating with them. *Pressure of groups is obviously necessary to bring about changes.* A certain amount of unionism, a certain amount of legislation, is absolutely necessary under our present economic order to prevent the abuse on the part of managers.

But in attempting ot prevent abuse, we must be careful not to produce paralysis.

Must Not "Straight-Jacket" Ability

We cannot safely rely on changes in structure alone. By merely changing institutions without educating a new type of leader you may merely substitute one kind of abuse for another, one kind of exploitation for another kind. To be concrete, if you substitute state socialism for private capitalism suddenly you may be substituting *political exploitation* for *financial exploitation.*

In any event, in so far as the change of structure is to be relied upon to change the behavior of our economic hierarchy, it must be such as to retain and utilize their ability. It is economic suicide to substitute a structure that will "straight-jacket" ability.

Democracy With Efficiency

I think that we are all agreed that an industrial society is the only one possible for us with our present population and our present demands, and it is difficult to see how we can have an industrial society without industrial leadership—whether we have any form of so-called "industrial democracy" or not.

This is not the place to discuss how far we can apply demo-

cratic principles to factory operations. Certain democratic principles can and must, I believe, be harmonized with the needs of efficiency in the economic field.

We see this in management, union cooperation and in the shop committee movement.

But I believe, as Beatrice Webb has said, that the needs of efficiency are such that it is very unlikely that we can have subordinates democratically running administrative systems.

Without competent direction it is impossible to produce the good things of life. I cannot emphasize this too strongly. For those who are not in the thick of industry it is difficult to realize what a difference able or incompetent management makes in the economic success or economic failure of any industry.

Whatever production this country has is due to the ability and ingenuity of management that there has been all the way down the line.

Two Types of Leadership

By one type of leadership I mean the natural expression of technical proficiency as it is utilized in the machinery of production. By the other type of leadership is meant the natural expression of a forward-looking socialized attitude.

I cannot see any reason why the two types should not exist in the same individual.

And I feel that to the extent we can train our future industrial leaders to combine these two types of leadership, to that extent will we be able to make leadership successful—effective both mechanically and socially.

I am not pleading for a new aristocracy—but for a new leadership—a conscious leadership, a tolerant leadership, a trained leadership.

I would therefore turn aside from any attempt to depend upon changes in social structure or social pressures to the study of what can be accomplished with the training, early or late, of our leaders in business, in finance, in production, in marketing.

It is important to ascertain the principles that must be observed if economic leadership is to be effective.

Constructive Leadership Developing

One can already discern in the younger groups that are filling positions in our financial life as well as in the ranks of

production executives a more scientific professional point of view.

In the financial world there are many men interested not only in the interests of a banking class, a credit class, a business class, but interested in creating successful economic processes generally.

They see the economic world as a dynamic cycle of events in which they will play the interesting role of a constructive leader.

They are as much interested in creating a stable financial system as our city engineers are in creating a safe water system.

They are just as constructively minded as any leaders might be in some system where private profit was not involved.

Democratic Type of Managers Developing

Turning aside from the financial world to the manufacturing world we find some at least of its leaders having an entirely professional point of view in their roles of managers or executives.

In the world of industry we find production executives with a scientific constructive point of view that is dramatically different from the old narrow enterpriser. They realize that an autocratic Russian conception of industrial processes is not sufficient. *They recognize that they must take into account the present insistence on the recognition of the self-respect of the individual and that they must harmonize the principles of efficiency and democracy.*

They have seen that consultation with those employed is not only compatible with efficiency in the broader sense of that term but may accelerate such efficiency. They realize that the greatest misery in our economic world after all has been caused not so much by abuse as by stupidity and a limited intellectual and emotional environment.

Whence Our Leadership?

Where are the new leaders of the future to be found? Napoleon said that there was a marshal's baton in every private's knapsack. But did Napoleon conquer Europe by having his army sit down and wait until the marshal's batons appeared by magic?

I shall not talk about America being the land of opportunity. I am not going to tell you how this steel king began life as a

furnace-stoker at 75 cents a week or how this railroad magnate got his start selling papers between stations.

But we must note that a great deal of leadership comes up from the ranks and that economic power in this country is not necessarily hereditary. It is a commonplace that many of our leaders, from foreman to corporation president, come up from obscurity. Particularly in the future the poor boy is as likely to become an influential participant in the economic world as the poor little rich boy. If his training in social economics is neglected he can, if anything, be more of an obstacle, more resistive to economic and social improvement, than the one who started with so-called advantages.

I do not quite agree with Edgar Lee Masters who said in Spoon River Anthology, "Beware of the man who arises to power from one suspender." But if we wish to rid ourselves of the autocratic spirit, we must educate the man who comes up from the ranks in proper methods of leadership, just as much as the graduates of the universities.

Miniature Factories

Therefore, aside from the problem of college and the university, a certain amount of training should be given in high schools and primary schools that will train a more constructive go-getter of the future.

The training of this group into a more socialized point of view towards society is in a way more perplexing than the training of the group that come from colleges and professional schools. Many of you who are interested in an improved environment have no doubt given much thought to training of the future citizen in socialized habits of thinking. Just as an illustration perhaps fanciful of the sort of thing that might be done. We formerly had experiments in so-called "self-government" which consisted of miniature governmental systems, such as legislatures and parliaments. Perhaps we could have miniature factory organizations in our schools in which children and young boys could be taught the principles of liberal executive direction.

When the more energetic starting at the bottom came up through the ranks they would not have the traditional attitude of the hard boiled boss. The foreman or superintendent of the future would not necessarily be a bullying foreman or autocratic superintendent. The president that came from the ranks would have instilled in him certain ideals of leadership.

The problem in our higher institutions should be simpler. Already from our business schools there are being graduated every day men with a broader professional spirit.

Training in Technical Schools and Associations

Also, a slight modification of the training in engineering schools is only needed to transfer their fine professional outlook into a broader conception of the human forces that they have to deal with. Our business management and engineering societies and associations are serving as extra-mural extension courses in more humanized and in more scientific management and production methods.

Anyone interested in the management field can testify to the great advance that has already taken place in many quarters from centralized employment (taking the hiring and firing from foreman) to business stabilization with its effect upon the security of the workman.

These are then some of the educational forces that hold promise of turning out more socialized energy. Of course the greater insight psychology and mental hygiene are giving us each year will no doubt have an enormous influence in helping us socialize human behavior.

But there is no time in twenty minutes to explore these possibilities.

Training of Union Leaders

Well, some of you may wonder why in the world I have not mentioned the education of union leaders. Surely the training of this type of leadership is as important a step in bringing about a better economic order as the training of employers, bankers and other business leaders. Surely this is a type of energy which should also be socialized.

The reason I have not mentioned this branch of leadership training is not because of any lack of appreciation of its importance. Such colleges as Brookwood are most important institutions. Already in certain fields brilliant union leaders have shown that they can play a prominent part in helping to think through the problems of particular industries. I have not mentioned this field because there has already been wide discussion of the necessity of this type of education.

But they are not the only type of leaders having to do with labor that need education.

Production executives need it just as much—the proper train-

ing of potential employers from childhood up should mean much for the improvement of the future social order.

Of course I have confined myself to the economic field.

A similar attempt to socialize the future has been taking place in the training of young men in the political and the international field.

Distribution of Ownership

Now aside from these hopeful tendencies in the emergence upon the scene of a more socialized leadership, there have been certain changes in structure (in what I have called the blueprint) that have been the most interesting economic phenomena of our present century.

The wider economic ownership has been so generally discussed that I will just touch on it. Perhaps Mr. Rorty will discuss it further. I think it is too early and rather flamboyant to talk about the democratization of capital.

But the wider distribution of securities is a hopeful phenomena, for if democratization of industry and finance is to come, this is the soundest way it could come.

I have said the needs of efficiency probably make it unwise to have subordinates democratically running administrative systems. It is much better that these subordinates be indirectly the bosses of others through stock ownership.

The development up-to-date in wider stock ownership is a long way from this ideal. But it may yet be approximated. In any event, as Mr. Eustace Seligman, Prof. Ripley and others have mentioned, its success will depend on the restraint which business leaders show in their relation to it—and in its sensible and discreet regulation.

It holds vital hope of the future, for it includes both the possibility of the wider distribution of economic status and the wider distribution of economic goods.

Importance of Production

I have no time to discuss the problem of the distribution of national income, but, as Mr. J. A. Hobson has said, production is the great problem today.

Analysis has demonstrated that the large problem from the point of view of individual well-being is the total national production. Distribution—I refer to the distribution of income, not to marketing—is most important as it accelerates or hinders that production.

As I explained from the start, I have purposely avoided discussing the pros and cons of the profit system or any other system, but have rather dwelt on the leadership which we must develop under any system. There are of course great abuses in distribution to iron out. If we can tune up our national factory under competent and socialized leadership, perhaps the problem will be negligible in the year 2026.

The Future

Already real wages have never been higher; hours have never been lower. With invention and science the sky is the limit if we can hold down the birth rate. But here again I am venturing into prophesy.

I hesitate to play the role of Pollyana, even as to a century hence, but I suppose a utopia within the realm of possibilities would be an ownership of our industrial resources in the hands of the great mass of citizens including of course the employees —though ownership and employment would not by any means necessarily coincide—and so high a standard of living that people would be able to become interested in other things than economic goods: justice, opportunity, security, leisure and life for all.

Chairman Introduces Dr. Nearing

Toastmaster Lovett: I did make that epigram to which Mr. Lewisohn referred, "The sooner we eat, the sooner we sleep," but I call your attention to the fact that I did not sleep in Mr. Lewisohn's address. He disappointed me in this respect. And I don't expect to sleep under the next speaker. In fact, he is particularly provocative of insomnia in my case, because when Scott Nearing speaks in my presence, I find myself making a speech of my own, and although this statement is not susceptible of proof, I say my best speeches are made under those circumstances.

Scott Nearing has stolen one of my ideas. I once suggested that every department of economics should have connected with it a pronounced radical, and I see Scott Nearing has written to Dr. Nicholas Murray Butler offering to join his Department of Political Economy. If the students of that Department under Scott Nearing should make as good speeches in his classroom as I make, I am sure that Dr. Butler will miss a great chance as an educator if he does not snap Scott Nearing up.

I hope Scott Nearing will be able to begin his address tonight by reading Dr. Butler's letter of acceptance. (Applause).

Scott Nearing on the Class Conflict

DR. SCOTT NEARING: Until the Civil War there was a competitive capitalist system in the United States. From the organization of the Standard Oil Company in 1870 down to about the period of the organization of the United States Steel Corporation, 1901, we passed through a period of trust organization. From about the beginning of the present century we have been in a period of bank control, finance control. The problem of leadership, as the previous speaker has suggested, was approximately the same in each of those three periods. The periods were essentially different in their character, as well as the type of people produced therein.

LEADERSHIP SECONDARY

In other words, in the last 100 years of American economic history, we have gone through three very definite epochal changes from competition to monopoly, to finance capital. I regard the problem of leadership, which the previous speaker has suggested, as an essentially secondary or sub-ordinate problem in any consideration of the position or future of capitalism and socialism in the United States. I regard the process which I have just characterized, the process of economic and social evolution, as much more basic than the functioning of any particular individual, any particular leader and I therefore address myself to the process rather than to the leadership, because I believe, as the previous speaker has said, that the problem of leadership is a social constant. It existed in Julius Caesar's day, it existed in the day of Cardinal Richelieu, it exists in the day of Henry Ford and Andrew Mellon. Julius Caesar lived in a slave society; Richelieu lived in a feudalist one, we live in a capitalist one.

The United States is one sector of an economic process. It happens that there are peculiar problems and relationships in this sector, but the general problem of capitalism is the same here as it is in Japan or as it was in Great Britain, except that the stages of development in these various countries differ, and, in the imperial struggle of which the United States is a part, one unit, one entity, one sector, one empire is out on top, and that empire happens to be the United States.

The United States the Dominant Empire

At the present time the volume of American wealth, income and surplus is equal to the wealth, income and surplus of Britain, Germany, France, Italy, Japan and Belgium. In other words, the United States, economically speaking, holds a position of vast ascendancy over the other competitors in capitalist and imperialist struggle. So, by a series of events which I shall not attempt to describe, the United States has emerged as the dominant empire in this imperialist epoch, just as Rome emerged in the imperial epoch that began about 70 A. D. With this emergence, the ruling class of the United States has become not only the ruling class of the United States, but *the ruling class of the ruling class of the world*. That is, the United States is the leader in the struggle for the right to exploit the plant, both from the point of view of physical resources and from the point of view of labor.

Concentration of Control

Let me just examine for a moment what the implications of this position are. The American ruling class, which resolves itself into a few thousand bankers and industrial leaders on the inside and a larger group on the periphery, owns all the essential economic machinery of the country, except the post-office and the rivers and harbors and a few minor factors of that type. All of the essential minerals, fuels, transport, manufacturing, mining and merchandising enterprises are privately owned by private capital in the United States. Not only are these economic positions practically all held by private capital, but the newspapers are a part of the big business system. The radio and the movie, the newspapers and magazines are a part of the big business system. The schools and colleges are directed by boards consisting of the same men who direct banks, railroads and other business enterprises and the sources of the funds for the construction of the cathedral up here on the hill give you some idea of the way the churches go about raising their money.

In other words, if you examine the economic and social machinery of the United States today, you will find that it is centralized in the hands of a comparatively small ruling group which is politically unified, is unified vertically in manufacturers' associations and other types of vertical associations, and horizontally in Rotary Clubs, chambers of commerce, boards of trade and other similar groups that bring together men and

women—men primarily—in the various branches of economic endeavor. There is thus built up in the United States one of the most powerful economic machines with its social implications that the modern capitalist world has ever seen—not only powerful because it controls the wealth but because it controls the political machinery as well. Out of this situation comes certain problems,—a few very rich people and a great number of people very much poorer. In New York we have 18,000 policemen to keep those two groups in order, to keep the poor from plundering the rich and to enable the rich to go on plundering the poor. (Laughter).

This group of owners in the United States owns the jobs of thirty odd million of people who must go to this little group in order to find an opportunity to earn a livelihood. Out of this relation between job owner and job taker arises the inevitable struggle on the part of the job owner to exploit, to gain the greatest possible advantage.

Trend Toward Civil War

A glance at the present economic history of Great Britain will indicate the direction in which this juxtaposition of forces leads. It leads toward Civil War. And if Mr. Lewisohn was multiplied 100,000 times he might defer it, delay it, but he could not prevent the coming of that civil war. The civil war may take a non-military form, it may take a violent form. I am not prepared to say which. I am simply pointing out the fact that, when one group of people in community, small in number, owns the jobs on which the masses of people must work in order to live, there has resulted civil war and it will result again unless some untoward events intervene. So that as I look forward to the future of capitalism in the United States, I see it under the necessity of putting the lid on a little tighter all the time. The necessity is not very great at present and so no Benito Mussolini is needed here right now, but, as the future grows more critical, the necessity of enforcing sedition acts and criminal syndicalism laws and the like will grow sharper. These laws are already on the statute books, and they will be invoked.

In other words, the employing class in the United States has all of the power, economic and social, and all of the machinery necessary to knock down all heads that rise in revolt against the present economic system. And I have not the least doubt that it will live up to its reputation of the last ten years and

knock them down when they show up. If it doesn't, its failure so to do will involve, as I say, an historic anomaly.

Our Imperialist Policy

The second point. Between 1848, when we stole the Southwest from Mexico and 1898, when we stole Cuba, Porto Rico, and the Philippines from Spain, we did not take anything from anybody, because at that particular time we did not need any territory. In 1903 we took Panama from Columbia. Since 1904 we have been in Cuba six times with our army. We have got an army in Nicaragua at the present moment telling the Nicaraguans on which territory they may fight and on which territory no fighting can take place.

Our school textbooks describe Cuba, Haiti, the Philippines and one or two of the others as protectorates of the United States. Under the domination of the democratic champion of small nations, Woodrow Wilson, and under the domination of Harding and Coolidge, the process of gobbling up the Carribean area has gone steadily forward. There is no indication of any cessation. On the contrary, we have four and one-half billion invested, and the number of marines and battleships in the area necessarily increases.

The process is familiar. Whenever a great ruling class rises to power, its exploitation produces a class struggle. Whenever a great ruling class needs extra territory for exploitation it goes out and takes it, as we are now taking territory in Cuba, Panama, Nicaragua and so on, and I imagine we will go on taking what we want when we want it in the immediate neighborhood of the United States. If anybody does not like it they can look down the barrel of a sixteen inch gun and see what is there.

That is what our navy program, this new cruiser program, is about. We need battle-ships to protect Standard Oil and Bethlehem Steel and American Sugar and other investors in the Carribean and the South American areas. And I imagine this process of stealing territory from our neighbors will go steadily forward as the imperial class needs more and more territory to exploit.

United States Credit Nation

Third, between 1915 and 1922, the United States took the world into its confidence to the tune of about twenty-two thousand million dollars. Some of it we loaned governmentally; some of it we loaned privately. When the War was over and

the settlements were begun in 1922, sixteen European countries —practically all the important ones—owed money to the United States. Japan does, Australia does, Canada owes us three billion. The whole world is paying us tribute.

In some cases, notably the European countries, this tribute is such the countries are practically unable to swing it in their budgets. That is, the United States has become the rich nation of the world, and the other nations are the poor, and because we are rich we are able to collect tribute from them on account of their poverty.

Anti-American Coalition?

This process is producing at the present time a line-up of the European states against the United States, and the question now is whether Britain will go into the European line-up or whether she will stand up and fight it out alone. I don't know what the British ruling class will do. Obviously their economic interests lead them into a coalition against the rich country of the world.

If history means anything, it means that the other countries of the world, when one country becomes inordinately and indecently rich, will unite and take the wealth away from the indecently rich country, particularly when the indecently rich country is exacting tribute from all the poorer countries.

I can imagine, therefore, that our new cruiser program is very necessary in that direction also, because there will be a fight between the United States of Europe and the United States of America, when the former repudiate, which is the only thing they can do. There will be a fight because we have got interests of such nature and volume that have to be protected. They are running up beyond the twelve billion mark at the presnt time. *We are heading now straight toward that conflict because American capitalism is inordinately and indecently rich and because the rest of the capitalist countries are forced into the position of tribute payers to that one capitalist country.*

As I look at the developments in the last twenty-five years, particularly in the United States, I see (1) an internal situation arising which is becoming intolerable to the masses of exploited workers, not to the select few. I see (2) the United States ruthlessly overriding the rights of her neighbors and gradually swallowing them up as they become necessary to her economic development, and I see (3) the world uniting

against the United States as the only means of saving itself from this economic octopus. I don't say, mind you, that they will be able to do it that way. I think another war will bring ruin after it, just as the last one did, but that did not prevent the last one, and obviously it won't prevent the next one.

So I see capitalism in the United States facing civil war, a class war, facing the necessity for enlarging its imperial power in the Carribean area and elsewhere and facing the necessity of arming and preparing itself to meet the rest of the capitalist world.

No Clear Class Line-Up in America

How about socialism in the United States? Of course, at the present time, there is not any. We need not kid ourselves about that. There is no socialism here, for example, in this crowd. This crowd has just eaten a $2.50 dinner. I don't know how many meals you had before that today, but enough, don't you know. There is no class struggle in this crowd. There is no sharp class struggle anywhere in the United States at the moment. But if we look at the situation in Europe I think we will gain some idea of the future of socialism in the United States.

I noted what Mr. Lewisohn said about the Russian situation. He said that the economic developments in Russia was not entirely successful. I wonder if he thinks the economic developments in Great Britain are successful? I wonder if he thinks economic life in Britain has been one glad sweet song since 1920? I am not prepared to argue that the economic situation in Russia is entirely successful. I am not convinced it is entirely successful in the United States.

Labor Capitalism

What I see in the United States on the side of labor is the effort on the part of a great many workers to share in the plunder of the capitalists. At the present time we have a number of labor banks that have gone into the banking business. I think they control about one per cent of the total bank resources of the country, or something like that. They are going to buy out the capitalist banks sooner or later, sooner, according to some of the more optimistic of their promoters. I notice certain workers are buying stock in the American Telephone and Telegraph and United States Steel. I understand to date they have almost two per cent of the stock in

these companies, and they are proposing to put aside their pennies and match the capitalist dollars and buy out the American Telephone and Telegraph and the Pennsylvania Railroad and other institutions.

I see that William Green of the American Federation of Labor said that it is the business of labor and capital to get together. I am sure every capitalist will feel cordially appreciative of that sentiment on the part of President Green, because, as long as the capitalist controls all the machinery of society and can keep close to the workers, he will know what the workers are doing, and occasionally he can get some worker like Farrington to develop still closer relationships. A. A. Purcell made a very telling remark after he got back from the United States. Purcell said, "In England we like to get as far as we can from the bosses. In the United States the workers seem to feel the closer they get to the bosses, the better off they are." That at least is the case with the cult among the brotherhood of railway men at the present time. Get in with the bosses and share the plunder of the capitalist system.

Strengthening the System

Now, I am not prepared to argue this question tonight. I want to throw it out as a fourth tendency that is going on in the United States. It is a tendency to strengthen the capitalist system. Every purchase of stock by a worker, every organization of a labor bank by labor, every scheme that is accepted for class collaboration strengthens the capitalist system, because it increases the number of people who believe that the old machine can be put back on its feet and made to serve a useful purpose a little longer.

The Coming Expropriation

As I see the mass of labor in the United States, there is eighty-seven per cent that is not now organized. The problem of socialism in the future is going to revolve about the attitude of that group of unorganized labor. And the question as to what those unorganized workers do is going to be determined by what the chamber of commerce does. I think the chamber of commerce has no choice in the matter. I don't think they can choose but fight another world war. I don't think they can choose but stimulate revolution in the Carribean countries. I don't think they can choose but exploit the American workers beyond the limits. I am not accusing them of sinister motives. I don't think they have any choice.

When the mass of American workers elect their representatives to the state legislature and to Congress and say to the chamber of commerce, "Gentlemen, we have fifty-one per cent of the votes in the United States. We are going to expropriate the railroads and steel mills and other big business enterprises and give you an opportunity to take a job along with the other workers." If the chamber of commerce replies, "Certainly, gentlemen, come in and help yourselves," there will be no more trouble. The properties will be expropriated and the chambers of commerce will be replaced by the organized workers' movement.

However, the experience of Europe in the last ten years does not show that this outcome is probable. What happened in Europe during the last ten years was that wherever there was a threat to the established order, a dictator was put in, preferably a man who had had his training in the labor movement. Many of the dictators in Europe at the present time got their training in the labor movement some way or another. They know the game. They are much more useful at that game than other people who did not get that training.

Whether Mussolini or Pilsudski or the King of Belgium or some other dictator was put up or whether the Postmaster General in England was made dictator on the 30th of April of this year, the fact remains that, when the property of the landlords and capitalists of European countries was threatened, without a single exception they threw the law and constitution to the winds and resorted to naked force to hold what they called their property rights.

I believe the masses of people in the United States—not the engineers, because they are capitalists; not the amalgamated socialists in Chicago and New York,—they are rapidly becoming capitalists; not the workers going in for class collaboration,—they are siding with the capitalists;—but the unorganized masses of the workers, who have nothing to lose, run up against a severe war or a severe economic depression as they are up against it in Great Britain now, or up against any other severe crisis, economic or social, they will be compelled as a matter of self-protection to take over the economic and political machinery of soceity. They won't pay for it. They won't take it by voting for it, but they will take it by assuming possession of it and operating it in their own interests. At that stage the leaders will be developed out of this mass movement.

In the meantime, before it takes place—and I don't believe it is particularly near in the United States—the real fight is going to be made by those people who carry on what in Russia for fifty or sixty years was an ideological revolutionary movement to see the issues clearly and expand them in a clear-cut and emphatic manner. That is, I believe the United States, socially speaking, is going to follow the Russian precedent. In Russia there was one class and no opposition. In the United States there is one class and no opposition. The ruling class in Russia happened to be an agricultural class. In the United States it happens to be a capitalist class. Economically it is different. Socially the same situation exists—one class in unchallenged control with arbitrary power. Whenever that situation has existed historically one result has followed. This class has put on the screws until the machine would not work any longer, until the lid blew off. And I look forward in the United States confidently to seeing the lid blown off by the masses of unorganized workers, just as the lid was blown off in Russia by the masses of unorganized workers and farmers.

I believe capitalism has got to face civil war at home. I believe American capitalism is going to gobble its neighbors one by one as fast as it needs them, ruthlessly and without excuse.

I believe that the world is going to unite against the United States, repudiate its debts and challenge the Americans to go out and collect them, and when they go out and try to collect they will have the biggest cleaning up task on their hands that they have ever faced. If you belong with the bondholders and stockholders, you had better chip in some money to build that new battle cruiser fleet. If you belong with the people who look forward to a new social order you had better take off your coat, roll up your sleeves and go to work. (Applause).

Colonel M. C. Rorty on "Pragmatic Socialism"

Toastmaster Lovett: The Chairman must explain he had not read his paper of instructions, according to which speakers are limited to twenty minutes, and from his own feeling he does not think that either of the preceding speakers spoke more than ten. But my attention having been called to the regulation, I will ask the other speakers to limit themselves to twenty minutes, and for my own part I will entirely cut out and expunge those incidental remarks with which I had expected to illuminate and enliven the discussion, merely observing we

could have no better representative of expert leadership than the next speaker, the former President of the National Bureau of Economic Research, Vice-President of the International Telephone and Telegraph Company, Col. Malcolm C. Rorty. (Applause).

Mr. Chairman and Gentlemen:-

When I began to prepare my notes for this evening's discussion I had visions of taking part in a very earnest debate in which I should be fighting shoulder to shoulder with Mr. Lewisohn to defend the capitalist system against the assaults of Professor Nearing and Mr. Hillquit. However, as I struggled to set my thoughts in order, I found that I had become hopelessly handicapped for such a debate by my habit of agreeing very generally with Mr. Laidler as to ultimate purposes, and occasionally even as to present methods. So I shall foully desert Mr. Lewisohn—who, in any case, is quite capable of fighting his own battles, or even a full sized war, all by himself—and shall resort to compromise, even if I do so in what one of my facetious friends has described as a peculiarly uncompromising manner.

"Pragmatic Socialism" Defined

First of all I shall attempt to define what I shall designate as "pragmatic socialism". I imagine that we can all agree that socialism is a philosophy of human organization which aims at the attainment of human happiness. But this is not the whole of the definition. It is a very difficult thing to prove that the highest degree of human happiness may not be found among those benighted and simple minded heathen who are well supplied with cocoanut palms and banana trees, even if they are quite ignorant of Ford cars and radio sets. Nevertheless, I am quite certain that no true socialist thinks of the ultimate working out of his philosophy in terms of a world of blissful morons dreaming each day of the ripe bananas of tomorrow. So, as a matter either of faith or of reasoned conviction, we must add to our definition the idea of economic, scientific and intellectual progress. Furthermore, since we are talking of socialism, rather than of communism, we must recognize the several institutions of private and public property, and of individual and collective capital and enterprise, as elements, which, in varying degrees, shall contribute to the structure of the socialist state. And, finally, we will agree that this socialistic organization, insofar as it may be new to human experience,

should be developed only as rapidly as human nature permits sound advances to be made.

Here, then, we have the full definition. *Pragmatic socialism is that philosophy of human organization which seeks to promote the happiness, and the intellectual, scientific, and economic advancement, of a community as a whole, by utilizing the institutions of private and public property, and of individual and collective capital and enterprise in the most effective manner permitted at any given time by the existing character and capacity of the population involved.*

Now, by this Socratic process, I have proved that all of us here are pragmatic socialists—including Mr. Lewisohn. But my definition is something more than a mere piece of verbal trickery—it has been developed with the definite purpose of emphasizing the fact that the elements of agreement between progressive capitalists and practical socialists are much greater than the elements of difference. Furthermore, on close examination, this agreement will be found to extend far beyond a mere statement of ultimate objects, to include a great number of basic premises, not only in the field of pure economics, but in the field which relates to human instincts and human conduct.

The Profit Motive in Future Industry

To begin with the most fundamental difference of all—that which relates to the so-called "profit-motive" in our social and economic organization—our pragmatic socialists are quite certain to agree, in the end, that our future social and economic organization should be governed by self-interest, provided only that this self-interest is adequately enlightened—and they will be inclined to grant very full play to the profit motive in all those many fields of human enterprise where it adds to the progress of society as a whole much more than it takes in individual gains.

As a further step it is highly probable that our coalition group of socialists will agree that the profit motive, or at least the acid test of profits, must have its place even in the vast majority of those enterprises which are developed under collective rather than individual control. The reason for this conclusion will be a simple one. If collective enterprise is applied in a widening field and steps outside of those primary limits within which complete or partial support by taxation is justified, even the pure socialist will agree that the proper test of the efficiency of such

enterprises, and of their right to receive new money for purposes of expansion, will be their ability to produce services or commodities which are worth more in the public markets than their cost of production.

Need of Profits for Extensions

Also, as a practical matter, the socialistic state would need such profits in order to permit it to make the necessary annual extensions to, and improvements in, the social machinery, without resorting to burdensome direct taxation—in fact, not even the rashest tax expert would undertake to raise by added taxation the ten billions of dollars per annum that might readily be required for such increases in the social capital. These sums are now furnished almost wholly through the reinvestment of interest, dividends and business profits, and, *if the socialized state of the future should absorb great industries, it must of necessity require such enterprises, as a group, to supply the funds required for their own proper growth.*

Collective Property Organized as Separate Authority

Supplementing this agreement as to the necessity for applying the market test of economic efficiency to practically all socialized enterprises, our pragmatic socialists will agree without difficulty that every socialized enterprise of a commercial type shall stand firmly on its own bottom, and *shall be organized substantially in corporate form as a separate "authority".* For this procedure we have so definite a trend of recent precedents, both in the United States and in Europe, that little argument will be necessary. A significant recent example in the United States is the creation of the Port of New York Authority as a joint agency of the States of New York and New Jersey. This is not wholly the commercialized type, but approaches it.

State Enterprise and Subsidies

A further agreement, based on elementary banking and financial principles, will be that these commercialized "authorities" shall not, under any circumstances, have their security issues guaranteed by the political units which create them. It will also be agreed that they shall not be exempt from taxation, or, in other words, shall not be subsidized by having the State furnish them with police protection and other governmental services, without cost. And a final agreement will quite probably be that private investors, who may furnish portions of the

funds required for the operations of these "authorities", shall have at least a strong minority representation on their boards of directors.

Our Semi-Commercial Industries

With this agreement once reached as to the strictly commercialized "authorities", it may be assumed that our pragmatic socialists will agree also upon the development of certain important semi-commercial "authorities" to which public subsidies may be granted in definite and very strictly limited form. Typical examples of such semi-commercial "authorities" might be those which would concern themselves with the water supply and the transportation subways of New York City.

In connection with both of these services, it would not take long for our pragmatic socialists to arrive at a reasonable and workable decision as to the extent to which subsidies should be granted out of general taxation and by tax exemptions, as well as through special temporary tax levies on areas immediately benefited by subway extensions. And, having reached these primary decisions, they would agree that water rates and subway fares should thereafter be varied promptly and automatically to meet the requirements of interest and sinking fund payments and operating costs.

At this stage in the development of our socialist state the discussion may turn from questions of fundamental structure to questions of detailed adjustment to the frailties of human nature.

The Citizen and the Public "Authority"

I can conceive that it will be agreed, at an early point in this supplemental discussion, that the ordinary citizen should have the same right of appeal from the acts and the rules and decisions of the socialized "authorities", that he should have with respect to private enterprises. And, in reaching this agreement, I suspect that even the least pragmatic socialist will have, in the back of his mind, the rankling memory of the helpless rage he has felt on one or more occasions when he has run foul of the calm and insolent omnipotence of some minor bureau clerk in a public office.

Limitation of the Right to Strike

The next point to be discussed may be that of the so-called "right to strike". Here I can foresee a hot argument—which

will end, however, in an appreciation of the fact that the right to strike is no more a "right" than the old right of private vengeance that gave way to the code of the duello. So I shall expect, at no distant date, to see a definite code established for the industrial duello, in which one of the first articles will provide that *any strike shall be outlawed unless it can be affirmatively shown that the employer, whether public or private, has an effective monopoly of employment in the locality concerned, and, as the result of such monopoly, is taking advantage of his employees by paying less than a market wage, or is otherwise offering inferior working conditions.* Beyond this point it will be recognized that agreements to pay more than a market wage, or to offer superior working conditions, as the reward for superior productivity must be arrived at by processes of absolutely free negotiation (largely individual rather than collective) without threats or fear of coercion by either party to the discussion. Furthermore, I can foresee an absolute agreement to *outlaw any attempt to exercise political pressure upon wage disputes;* although in the opposite direction I can see conditions arising under which the ordinary citizen might have the right of appeal to judicial decision in cases where it appeared that wage agreements had been entered into which unjustly increased his cost of living.

Labor's Participation in Management

With disposal once made of the knotty problem of wages, I can imagine that the net argument might be with respect to the participation of labor in the management of industry. Here the progressive capitalist will argue that, in well managed industry today, every worker, who has the qualities of intelligence and character to qualify him for the exercise of authority over others, is sooner or later promoted to a definite position in the managing group itself. And he and the practical socialist may agree to define their problem by asking what share in management should be given to workers who are inexperienced, or ignorant, or irresponsible, or who, if experienced, intelligent and reliable, still lack the qualities of poise and judgment necessary for the exercise of authority. When the question is so put I suspect that both parties to our discussion will finally agree that authority in management must rest, as it does today, primarily with those skilled and experienced officers and workers who necessarily assume the responsibility for operat-

ing results, and secondarily with those who take the financial risks, whether they be private investors or the public as a whole.

Nevertheless, I conceive that they will agree, also, that, up to the point of weakening necessary discipline, *the ordinary workers should have power to check any abuses of authority.* And, if our pragmatic socialists philosophize a bit at this point, they will not be disturbed by the vagueness of their answer to the problem but will recognize that they are dealing with one of those eternal compromises—fixed in their essentials, but continually changing in details—out of which our whole social structure is, and must be, built. It seems certain, in any case, that they will recognize that fundamental kink in human nature which makes it *impracticable for men to elect those in immediate authority over them,* but requires that election shall work from the bottom to the top of the organization, and that authority in turn shall proceed from the top to the bottom.

Appointment vs. Election of Officials

I suspect that, in our political, as well as in our industrial organizations, in spite of some recent trends to the contrary, we shall gradually come back to the idea of electing a small number of men, and of giving these men the power to appoint the majority of working officials. This procedure has fundamental advantages which should not be sacrificed to any temporary expediency. Good men will accept positions in which their duties are primarily to appoint working officials, when they could not accept direct election to such working offices; and even a group of demagogues, when given the appointing power, will be apt to make good selections. In fact, the demagogue, since he, better than anyone else, knows the tricks of his own trade, may be trusted not to appoint demagogues to office.

Breeding of Inferior Stock

Now, with the preceding points settled definitely or by working compromises, I can imagine that our pragmatic socialists will enter into a very fundamental discussion as to the extent to which the more capable members of society shall be called upon to support those who are less capable, although still fundamentally able bodied and able minded.

I assume that they will first clear their thinking by agreeing that our future society must begin by protecting itself against excessive population and against the importaion, or the breeding at home, of fundamentally inferior masses of humanity,

or of groups which, although not fundamentally inferior, are nevertheless fundamentally discordant with and unassimilable into our existing population. To that extent, at least, our society must be nationalistic in spirit, if only to enable it to develop a helpful model for the benefit of the world at large.

Shall Less Capable Ride on Shoulders of More Capable?

With agreement reached on this point, I suspect that the arbiters of our destinies will agree further that even our present society has already reached, or is rapidly reaching, the stage where the essentials of simple, but decent, living can be supplied to every able bodied and able minded worker out of his own productivity, without requiring the more capable to contribute from their surplus.

At this point I can see our consultants beginning to talk of the race, rather than of the individual alone. They may think in simple biological terms. They may remember that in their own gardens they do not regret when an individual stalk of corn grows sturdy at the expense of its neighbors, but even pull up the weaker stalks to make still more room for the strong. And I suspect that, without carrying these biological parallels too far, they will nevertheless be somewhat tough minded on this particular question. *They will agree that each new generation should be given the fullest of economic and educational opportunities. They will wish to see each man receive a full and just return for his own productivity.* But they will not be willing to risk weakening the fibre of the race by allowing the less capable members of the older generations to ride, or to think that they should ride, on the backs of the more capable.

Social Insurance Legislation

The preceding decisions will very directly affect the point of view toward peace time taxation, and toward proposals for various forms of social insurance. An agreement that the individual worker *should* pay for the bulk of social insurance will help toward the recognition of the fact that, in the long run, either he, or some fellow worker, *does,* and *must,* pay for the bulk of it in higher prices or in reduced wages. So each proposal for social insurance will be subjected to rigid tests, without any illusions that something can be made out of nothing. Workmen's compensation plans on the whole have stood these tests; and here the direct loading of the cost, through the employer, upon prices is correct in principle and has the special

advantage of affording a direct incentive toward the reduction of industrial hazards. But, on the other hand, much foreign practice with respect to unemployment and other social insurance will appear to our arbiters to be quite as destructive in character as our workmen's compensation plans have been constructive.

Capitalism More Socialistic, Socialism More Capitalistic

At this stage in their discussions, I suspect that our pragmatic socialist will hold final council with themselves and will agree to become wholly pragmatic. They will find that they differ very little as to the ultimate objects to be attained or even as to the basic facts in human nature upon which their procedure should be established. They will discover that even the fullest practicable development of socialized "authorities", to replace our present large scale privately owned utilities and industries, would not affect interest and dividend payments amounting to more than, perhaps, 10 per cent of our national income; and of this amount they will find that nearly the whole would be required, as it is today, for plant extensions. And they will discover, also, that the gains in real wages since the war, under our present economic system, have been far in excess of any gains to workers that could result from a mere shift in the ownership of capital, unaccompanied by the increase in efficiency which have marked our recent industrial progress.

So I suspect that our pragmatic socialists will cease to talk in terms of capitalism and socialism and will talk in terms of a scientific political economy, in which capitalism will steadily become more socialistic and socialism will steadily become more capitalistic.

And they will, I think, agree that post-war developments in industry and commerce in the United States represent what is in effect an entirely new economic system, to the promise and practical results of which all abstract theories, for the time being, must yield place.

Are We Approaching A More Orderly System?

This, at least, is my own conclusion. I find that thoughtful workers and thoughtful managers, alike, are half hoping, half wondering, whether here in the United States, in these present days, the Industrial Revolution, after running its course for

150 years in blindness, ignorance and misunderstandings, may not be coming at last to its sane and orderly fulfilment.

To this end there are many factors which are contributing—the Federal Reserve Banking System, the high and constantly increasing efficiency of our systems of transportation and communication, the rapid development of electric power, the growth of a tested science of management, the work of the Department of Commerce in simplifying and standardizing many products and trade practices, and the extensive work of research done by an increasing number of our larger industrial organizations.

But back of all these factors lies a more fundamental thing, which is the development in the United States of a group of men who combine sound economic knowledge with the practical viewpoint, and in many cases, with power of position in a manner that is unique in the world's experience. In this connection, if time permitted, I should like to say something of the work of the National Bureau of Economic Research, with which Mr. Laidler and myself are both associated, which has brought many such men of widely varying viewpoints into practical cooperation for economic fact-finding.

All these elements of progress are supplemented by the marked development of better understandings between employers and workers. As a very genial and human old lawyer one time said to me, "When I can do a good deed, and at the same time make a profit, all my functions work in harmony." And the outstanding fact of the moment, in our economic affairs, is the discovery by managers and workers that they can do the good deeds of paying high wages and rendering a high productivity, and at the same time make a very handsome mutual profit.

The Work Ahead

No one will deny that many of our corporations have much progress to make before they can fairly claim that they are rendering that full measure of public service which an enlightened self-interest would justify; nor will anyone claim that our socialistic friends have not a wide field for their efforts in the improvement of our governmental units to the point where they may be justified in undertaking new responsibilities in the fields of public service and industry. Yet both corporations and governmental units are making steady progress, and my own belief—to conclude—is that the future of capitalism and socialism in the United States will be found in the parallel

development and improvement of these two primary elements in our social structure—in giving both a fair field and no favor. And as time goes on and successive readjustments take place, I am convinced that the capitalists will say that we are living in a capitalistic state, and the socialists will say that we are living in a socialistic state—and both will be right, and I hope that both will be satisfied.

Morris Hillquit on the Coming of Socialism

CHAIRMAN LOVETT: I understand that the next speaker is a socialist. Whether he is the pragmatic socialist to whom Colonel Rorty refers, I will leave you to judge. I will not take another superfluous second in introducing Morris Hillquit!

ALL EMBRACING CHARACTER OF "PRAGMATIC SOCIALISM"

MR. MORRIS HILLQUIT: Mr. Chairman, Ladies and Gentlemen:- If there ever was an instance of gross class collaboration we have seen it today when two capitalists and one communist have conspired to filibuster and take away the time of the only socialist. I had originally preserved for myself my usual rule of compromising between the complacent, optimistic capitalist and the prophetic, revolutionary, gloomy communist, but I see the last preceding speaker has taken the wind out of my sails. He has given you the well-known conventional movie ending of mutual happy marriage and bliss forever. The simple process of the reconciliation of capitalism and socialism by capitalism surrendering to socialism on condition that socialism first surrender to capitalism.

The lines of the discussion tonight have been somewhat blurred. Mr. Lewisohn opened it up by stating that after all the line of demarcation between capitalism and socialism is not very definite and, of course, it is true that nothing in any term or any definition is absolute.

Mr. Rorty has gone a step forward and has for the purpose created a pragmatic socialism unknown to any of us, a sort of an addition to our party without any initiation fee, and has given it a program which he asks us to swallow. It is a very convenient one which can be swallowed by any Socialist party, by any anti-Socialist party, by any church, by Mussolini, and that is that socialism stands for some sort of philosophy which contemplates human happiness, and scientific, spiritual and economic advancement, whatever that may be.

Fundamental Difference Between Capitalism and Socialism

Now, it is not all so very simple. While the line of demarcation between the two systems under discussion may not be very definite in all points, they are substantially sufficiently well defined. When we talk about capitalism we mean the present order of things, based primarily upon the conception of the industrial process as a private enterprise, conducted by private concerns for private profit, with all the implications, social, political, cultural and intellectual that inevitably flow from such a system. And when we speak of socialism we have in mind an order of society based upon the industrial process as a social function, conducted by social agencies, primarily for the interests of the community as a whole, with all the implications, social, political, cultural and intellectual that flow from that. And no matter how conciliatory Mr. Rorty may be, and personally he is very conciliatory and very amiable, *he cannot wipe out this fundamental distinction, this test whether the industries, the vital industries of the country, the activities upon which the life of the community depends, the activities which provide the individual in the community with food, clothing and the necessaries of life, are conducted as individual enterprises for private profit or are conducted by the community in an organized, ordered fashion for the benefit of the community as a whole.* These distinctions exist and the question before us is whither does America tend. Toward capitalism—or rather toward a continuation of the capitalist regime—or toward socialism?

A Capitalist's Paradise

I will say from the outset, I am no more a prophet than either Mr. Nearing or Mr. Rorty. I am not a prophet and I have no guarantees to offer. I even suspect, notwithstanding the great emphasis of my friend, Scott Nearing, that he has no confidence that things will develop just exactly as he describes them. I can well understand the attitude of some of the enlightened supporters of the existing system in the sincere belief that that system has come to stay forever. You see the United States of late years had become the object of universal admiration and envy. We excel every country in the world in political stability, in our economic prosperity and in the contentment of our population. Our wealthy classes are benevolent as well as powerful, the director of tremendous industries, and as Mr. Nearing quite correctly remarked, they dominate the finances

and the markets of the world. They are the molders of public opinion and our governmental policies, they provide all the culture there is in the United States, the arts and sciences, they watch over our morals and religion, they take care of our poor and unfortunate, they are model citizens, they are model business men, they are model employers. People come from all over the world to learn their methods. And then we have a mass of workers, well paid, well fed, well treated, well contented; they are church members, they vote the Democratic or Republican ticket; they are fully satisfied with the existing order of things; they hate not only bolshevism and communism, but socialism and anything that smacks of an "ism". They are perfectly respectable, reliable citizens.

Now, this seems to be a sort of a capitalists' paradise, a system which has reached approximate perfection, and quite naturally the supporters of the system are absolutely convinced that, perhaps, with a few minor improvements, they have solved the problem forever; the system will continue forever. But that seems to be, nevertheless, a one-sided view. You see there are several things to be considered in connection with it.

Millions Still in Poverty

In the first place we mentioned the capitalists, we mentioned a certain class of the workers, not all of the workers. That you know is newspaper talk—I mean that the workers of the United States are all well fed, well clothed, are paid excellent wages and so on. There are strata of the American working population who are just as badly off as the fellow workers in Europe and some worse off—the aged, the invalidated (and don't forget our intense industrial processes eat up a worker in a very short space of time), the unemployed. You know we still have slums; we still have poverty; we still expend millions of dollars in an attempt to alleviate extreme poverty, and we do not succeed.

We have, as Mr. Nearing said, the unorganized workers who do not share in the general capitalist prosperity as much as do the organized workers, the privileged part of the working class. Then we have our farmers. That is a large portion of our population, and they are not always happy or always contented. It depends entirely upon the crop and upon the price they can get for the crop, and, once in a while, and pretty often, they get hard hit, their mortgages are closed and they go into bankruptcy, and they constitute a discontented mass.

Will that condition continue forever? That is the question. Will even the better situated, the well fed workers tolerate the condition forever? You see, after all, the wealthy are few in number. The large mass of the people, even excluding the better situated workers, are practically excluded from all advantages of modern life. They have no share in the direction of the affairs of the country, political, social, cultural or otherwise. Everything that makes life worth living to you moderns, the things of culture and beauty, the things of creative endeavor, of aesthetic enjoyment are not for them. They are an inferior order of existence, well fed, but nevertheless dependent, nevertheless inferior. Can you imagine a human race, and the American specimen of it as well, that will continue satisfied in such a condition of humiliating inferiority and dependence forever? I cannot. And can you think of any palliative, of any improvement upon the present system which will make that system palatable to them forever? Again I cannot. I have listened with great interest and attention to the measures of improvement proposed by both, or envisaged by both Mr. Lewisohn and Col. Rorty. They failed to convince me.

Efficiency the Modern God

There was the first one upon which particularly Mr. Lewisohn seems to lay stress—greater efficiency in industry. Greater efficiency in industry means the production of a greater quantity of commodities within a given time and of the same quality, by better processes, by better organization; better work accomplished in other lines of endeavor, better service rendered. All these things do not go to the heart of the matter. Efficiency has become the modern god of the capitalist class. It is the great bourgeois god with a time-clock instead of a soul, with a cash register, instead of a heart, and I suspect this god is a humbug through and through. Because, after all, what is efficiency? What is true efficiency in a social sense? Our furniture factories in Grand Rapids today produce the products by the thousands and thousands as compared with the single pieces that were produced centuries ago, before the introduction of machinery and scientific methods. I wonder whether Mr. Lewisohn does not prefer a chair about two or three hundred years old made by the very inefficient mechanic to the modern Grand Rapids chair.

I have seen a forty story building erected before my office window in the course of about three or four months. It is a

great, towering, gigantic, ugly structure of steel and brick It is the product of modern efficiency in building. Yet I read in the newspapers that one of our paragons of efficiency, a millionaire, brings over to the United States from some village in Italy an old ancient castle stone by stone to put it up right here.

That has to do with efficiency in the product. How about the efficiency in process? Only a short time ago I was privileged to visit and examine one of the Ford plants in Detroit. It was a tractor plant. If you want the last word in efficiency, there it was. I saw the thing assembled, consisting of 300 odd parts, 300 odd workers in a shift standing in a row. There were some overhead trolleys carrying to them the different parts, and as they come each one takes his part and puts it on rapidly from time to time until the entire machine is built before your eyes in the course of a few moments. The gasoline is put into it, the breath of life blown into and it goes away.

I looked at the men. There were about seventy thousand of them, most of them foreigners, I believe, from the Balkan countries. And I want to assure you not one of them wore a human countenance. They were strained. They were tired, they were not human beings. That is precisely what modern efficiency means in production at the present time. I don't think efficiency will make the present system palatable or enduring.

Training of Leadership vs. Training of All

And then another thing Mr. Lewisohn proposes is the development of proper leadership. A different leadership than the present one, a broad minded leadership. But it still must be a leadership. It must be an industrially elite, and there should be special training for such leadership, and I ask you whether the present system does, whether it ever can rest on leadership in the sense of the intellectual expert, or the expert in knoweldge. The very essence of the modern system—the ownership of the capital through corporate organization by persons who have nothing in common with the processes of production, by stockholders and bond holders who may be as intelligent leaders as Mr. Ford or Mr. Rhinelander or anybody else,—that as I see it excludes leadership as a remedy. Leadership through special training of engineers—how many great and

powerful minds are possibly killed today, destroyed in the mines, in the mills, in the factories for lack of a chance of development?

You speak of the training of leadership. Oh, no, it is not training of leadership that we need! We need training of the entire working population to the utmost, to such an extent that the working class as such will be trained to leadership of the industry and will be capable of conducting all industries for the benefit of the whole class of workers and the whole country.

Capitalist vs. Socialist Schemes of Ownership

Another one of the well-known remedies or compromises which is pointed to is diffusion of stock ownership. Why, the number of security owners, stock holders, bond holders is growing every day. I don't know how many there are. You, here, are a better situated class. But there are others besides you. I know them and I tell you of them in confidence. I know 40,000 cloak workers in this city, not one of them is a stockholder or a bond holder in any corporation. I know of millions of workers in the United States who are not and never can be stockholders or bond holders, for the simple reason the wage is insufficient to afford them an ordinary living.

If we ever envisage a general distribution of the stock among all employees, among the consuming public at the same time to the extent that each corporation will become a cooperative enterprise, oh, then you have solved the problem undoubtedly. But this is not the object of the present new method of distributing stock among employees. The object is to set apart one-half of one per cent, one per cent, or, if a corporation is particularly generous, two or three per cent of a certain preferred non-voting, meaningless stock to those stockholders in order to keep them tied to the machine; in order to make them believe that they have an interest in the plant. That cannot and will not work forever. That will not change the system.

Workers Will Demand A Democracy

I believe, without attempting to prophesy, that when the present wave of sudden unexpected prosperity coming on top of a calamitous time of universal insecurity and poverty, when this period passes, when conditions begin to assume a normal character, when Europe will recover to a point that America will no longer have the monopoly of markets, and the monopoly

of prosperity, then the large masses of the people of the United States will wake up to the social differences in this country. They will demand a change. They will not be satisfied with this beneficient capitalism which keeps them in well-fed bondage. They will demand a change in government. They will demand a democracy which means the real actual choice and maintenance of the government by the intelligent consent of the masses. They will demand democracy in industry, not this silly idea of industry operated either by competent managers or by the enormous mass, collectively, voting for every process in the industry, but an organized industrial process operating as a social function for the benefit of the whole community. They will demand cultural democracy; a throwing wide open of the portals of education and enlightenment; they will demand social democracy and equal opportunity in all the joys of life for every man and woman.

I say this, of course, is no more than a prediction. It is a prediction based upon my conception of human character and just upon the points Mr. Lewisohn stressed, the acquisitiveness, the selfishness of men, which means their desire to get the best they can obtain. I repeat, this is no certain prophecy. Other things may happen. The thing Mr. Nearing has predicted may come to pass, or another great world war may engulf us all in the darkness of primitive barbarism, or a fascist dictatorship may arise all over the world and grip the United States as well. I mean, theoretically, anything is possible, but the main point is, that all that is immaterial. We are not concerned with prophecies. Prophecies are interesting; they are unreliable, as the course of the last fifteen years particularly has shown. We are not concerned with prophecy. We are concerned with this question: Assuming that there is a possibility of this country of ours degenerating into a mild despotism, and assuming, on the other hand, that there is a possibility of its involving into an enlightened democracy; from every point of view, what will it depend on? It will depend but upon one thing: the enlightened conscious will of the great masses of the majority of the people of this country. If the people of this country are trained to desire, to demand, to strive for, better social conditions, a higher social order, they will get it. If they remain indifferent and phlegmatic, everything may be infflicted upon them and they will stand it.

Consequently, then, the job of every one of us is to choose

which form of development he prefers and, having made his choice, contribute the best that is in him to that particular line of popular education.

It is not a question of prediction. It is not a question of fatalism. It is a question of conscious direction of the popular mind, and that is precisely what the Socialist party is envisaging. That is the gospel of Socialism. That is the hope of socialism.

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